
Understanding income annuities

A guaranteed source of retirement income



As you assess your goals and the other realities of retiring, are you prepared to support a retirement that may last 30 years or more? Given today's longer life expectancies, your retirement could last longer than you think. When creating your retirement income plan, you should assume a long time horizon. If you are looking for additional sources of retirement income that are not impacted by market swings and interest-rate changes, then an Income Annuity may be right for you.

An immediate or deferred income annuity can provide a stream of income that can last for your lifetime or for you

and your spouse's lifetime. These types of annuities can also be structured to pay for a specified period of time, known as a period certain. An immediate income annuity is designed to begin paying you income payments within the first year. These payments can begin as soon as 30 days later. With a deferred income annuity, the payments begin at some point in the future and do not begin until at least after the second year. You have the option to receive your annuity income payments monthly, quarterly, semi-annually, or annually. There are multiple types of payout options available.

Investment and Insurance Products are:

- Not Insured by the FDIC or Any Federal Government Agency
- Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate
- Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested

Income annuity payout options:

- A **life-only** immediate annuity provides maximum lifetime income for one or two people. These payments will cease upon death (death of both annuitants for a joint life policy) even if the total amount invested has not been received in payouts.
- **Period-certain** immediate annuities provide income for a specified period of time, such as 10 years. If the annuitant dies prior to the end of the selected period, payments will continue to the beneficiary for the remaining years of the contract.
- **Life with period-certain** immediate annuities provide lifetime income for one or two people. If the annuitant(s) die(s) before the end of the period-certain guaranteed term, the payouts will continue to the beneficiary for the remainder of that term.
- The **life with cash refund** option provides lifetime income for the life of the annuitant(s). If the annuitant(s) dies prior to receiving payments that total the premium amount, the beneficiary will receive the difference between the premium and the total payout to the annuitant(s).
- The **life with installment refund** option provides income for the life of the annuitant(s). If the annuitant(s) dies prior to receiving payments that total the premium amount, the beneficiary will receive the difference between the premium and the total payout to the annuitant(s). Unlike a cash refund payout, the installment refund pays the beneficiary over a period of time rather than a lump sum.

Income calculation

The amount of your guaranteed payment is based on your age, the amount of money you are annuitizing, the payment options you choose (such as life or period-certain), and the interest rate environment at the time of issue.

Type of payout

Income annuity payouts can be structured so that the payments are fixed and do not fluctuate.

Many income annuities also offer an inflation protected option, sometimes known as a cost of living increase. This type of payout option can increase the payout each year by a specified amount, such as 2%, 3%, or 4% per year. It is important to know that by electing a cost of living increase, the payouts will initially be lower than a straight fixed payout. Your financial advisor can help you determine what payout type may be appropriate for your needs.

Having dependable income every month can help you achieve the lifestyle you desire. Work with your financial advisor at Wells Fargo Advisors to help you make sure your income stream will be protected and available when you need it.

The payment option of an income annuity typically cannot be changed once the client has selected them.

Guarantees are based on the claims-paying ability of the issuing insurance company. Guarantees apply to minimum income from an annuity; they do not guarantee an investment return or the safety of the underlying funds.

Insurance products are offered through nonbank insurance agency affiliates of Wells Fargo & Company and are underwritten by unaffiliated insurance companies.

Given the irrevocable nature of many of these contracts, investors should carefully consider any future financial needs before they enter into an immediate income annuity contract. However, specific insurance providers do offer contracts that allow for partial cash withdrawals and may have liquidity features in the event you need to access your investment. Work with your financial advisor to identify which immediate income annuity is right for you.

Wells Fargo Advisors does not provide tax or legal advice. Be sure to consult with your own tax and legal advisors before taking any action that may have tax or legal consequences.

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, Members SIPC, separate registered broker-dealers and nonbank affiliates of Wells Fargo & Company.